

## Overview of Agency Operations

Key 2003 accomplishments are summarized below.

### Active efforts to reach inactive members

In 2001, more than 96,000 members in our system were categorized as inactive. DRS set a goal to reach 45 percent of the nearly 80,000 members who met criteria that included approaching the age when federal law mandates distribution from retirement accounts. By the end of June 2003, DRS had located 62 percent of those members, distributed more than \$19 million and initiated \$3.05 million in retirement benefits.

### Decreased paper, increased efficiency

The Web-Based Employer Transmittal (WBET) service, launched in 2002, allows employers to securely submit member retirement contributions and information electronically.

In 2003, use of WBET grew substantially. As a result, the time to process employer reports dropped from nine to eleven days to just one day. And because of the software's ability to flag inconsistencies, reporting errors fell from 10 percent to .1 percent.

### Fast, responsive service

Providing prompt, knowledgeable customer service is a top priority for the agency. Over the past fiscal year, DRS staff answered 94 percent of more than 220,000 phone calls within 30 seconds.

Members arriving without a counseling appointment were met by a retirement specialist in less than two minutes. Nearly 15,000 requested retirement estimates were completed in an average of less than four days. And staff responded to 90 percent of more than 25,000 pieces of routine correspondence within five days.

We are pleased to report that customers continue to give high ratings to DRS services, whether those services are provided in person, electronically or in written form. This year's survey of active members, retired members and Deferred Compensation Program participants showed an average satisfaction score of 4.47 on a five-point scale.

### Nationally recognized cost-effectiveness

DRS once again participated in an independent study of public pension administrators, conducted by Cost Effectiveness Measurement (CEM) Inc.

This year's *Benefit Administration Benchmarking Analysis* showed DRS administrative costs (actual cost per member) to be 28 percent lower than our peer pension systems, given complexity and service levels.

### Clean compliance audit

For the seventh consecutive year, the agency received a clean annual audit, without findings.

DRS processed more than \$600 million in retirement contributions in fiscal year 2003. The results of the audit, conducted by the State Auditor's Office, demonstrate our commitment to the highest level of fiduciary responsibility.

## 2003 Washington State Legislative Actions

The 2003 Washington State Legislature enacted the following significant changes in retirement law.

### **\$150,000 Death Benefit**

This legislation provides a \$150,000 duty-related death benefit to survivors of PERS, SERS and TRS members who die as a result of injuries sustained in the course of employment.

### **Plan 3 Member Contribution Rates**

Under this bill, members of PERS Plan 3, SERS Plan 3 and TRS Plan 3 are given an annual window for changing their member contribution rates. The Internal Revenue Service has previously given approval to an annual rate change window for TRS members. The Department of Retirement Systems (DRS) is awaiting approval of the annual window for PERS and SERS members.

### **Fallen Heroes' Survivor Benefit**

Provides that pension payments to qualifying beneficiaries of public safety officers who die in the line of duty will not be subject to federal income tax.

### **Fish and Wildlife Enforcement Officers into LEOFF**

This legislation moves fish and wildlife enforcement officers meeting eligibility requirements from PERS Plan 2 or PERS Plan 3 into LEOFF Plan 2, effective July 27, 2003. Service credit earned prior to the effective date remains in PERS. The bill did not affect employees who were members of PERS Plan 1.

### **EMTs into LEOFF**

Allows firefighter Emergency Medical Technicians (EMTs) to transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2, if the EMT's job was relocated to a fire department from another department of a city, town, county or district.

### **Pension Policy Governance**

Replaces the former Joint Committee on Pension Policy with a 20-member Select Committee on Pension Policy (SCPP) composed of elected officials, stakeholder representatives, employer representatives and the Directors of DRS and the Office of Financial Management.

### **Substitute School Employees**

Allows substitute school employees of SERS to apply to DRS for service credit after the end of the school year during which the work was performed. The substitute will obtain service credit by paying the required employee contribution to the retirement system. The employer will pay the employer contribution upon notice from DRS that the substitute has made contributions.

### **TRS Plan 1 Extended School Year**

Authorizes members of TRS Plan 1 to use extended school years for calculation of their earnable compensation.

### **Disability Board Membership**

Clarifies that LEOFF Plan 2 members may serve on LEOFF Plan 1 disability boards, provided they are elected by LEOFF Plan 1 members and retirees subject to the jurisdiction of the board.

### **Death Benefits for PERS, SERS and TRS Members**

This legislation gives beneficiaries of a member killed in the course of employment the right to receive retirement benefits without actuarial reduction. The legislation applies retroactively to include any members killed on or after July 1, 2001.

### **Implementation of Initiative 790**

Initiative 790, passed by the people in November 2002, created a Board of Trustees to govern LEOFF Plan 2. This bill made statutory changes necessary for the Board to operate, such as authority to enter into contracts and interagency agreements.

### **Amendment of Initiative 790**

This bill repealed a section of Initiative 790 that provided investment gains above the actuarially assumed rate of return would be used only to fund new benefits.

**PERS Plan 1 Retire/Rehire**

This bill provides additional limits on the number of hours that PERS Plan 1 retirees can work without affecting their pensions. The bill also lengthens the period of time an employee must be separated from work in order to qualify for higher post-retirement employment limits.

**Plan 3 Defined Benefit Waiver Option**

Under this legislation, a member of TRS Plan 3, SERS Plan 3 or PERS Plan 3 who has received a defined contribution distribution may make an irrevocable choice to waive all rights to receive defined benefit payments.